

Knowles seeks federal help for Alaska gas project

ANCHORAGE, Alaska, Sept 10 (Reuters) -

There were so many benefits from a pipeline to deliver natural gas from Alaska's North Slope to the Lower 48 states that it should be encouraged by a special act of Congress, the state governor said on Monday.

Tony Knowles said his proposed "Alaska National Interest Natural Gas Development Act", complete with tax incentives, would ensure the project is built to maximise gains for state and nation.

"Alaska is perfectly positioned to supply our nation with affordable, environmentally clean energy," the Democratic governor said in a speech to the Anchorage Chamber of Commerce.

"And with the stock market slide and unemployment at a four-year high, this multi-year, multi-billion dollar project would be a shot in the arm to the sagging national economy.

Knowles said structural changes in demand for natural gas will make the project viable within seven years, but short-term price fluctuations may be scaring off potential investors.

He called for federal tax incentives to build the 3,500 mile (5,633 km) pipeline project, first envisioned in the late 1960s and now estimated to cost \$15 billion to \$20 billion.

The incentives sought included an accelerated depreciation schedule, a 10 percent investment tax credit and a sliding scale system for production taxes, lowering rates if gas prices fall.

The pipeline would provide 100 trillion cubic feet of gas over 45 years, the equivalent of 18 billion barrels of oil, create thousands of jobs and boost U.S. gross domestic product by \$300 billion over the project's life, Knowles said.

"I'm confident those kinds of gee whiz numbers will get the attention of members of Congress from middle America's 'Rust Belt' and elsewhere across our country," he said.

The governor has sent his proposal to Senators Jeff Bingaman (D-New Mexico) and Frank Murkowski (R-Alaska), the chairman and ranking minority member of the Senate Energy and Natural Resources Committee.

WHICH ROUTE?

The three major Alaska oil producers -- BP, Phillips Petroleum and Exxon Mobil -- have created a work group and devoted \$100 million to detailed engineering and environmental studies to select a route for the gas pipeline.

The North American Natural Gas Pipeline Group is considering two general routes. One route -- endorsed by Knowles and other Alaska officials -- would run south from Prudhoe Bay, along the route of the trans-Alaska oil pipeline, then veer southeast along the Alaska Highway.

The other route would be shorter, running offshore along the Beaufort Sea coast to connect with Canada's Mackenzie River Delta gas fields, but it faces opposition from state and local governments in Alaska and from environmentalists.

Curtis Thayer, spokesman for the three-company group, said the producers do not want politicians to select a route

for them.

"We have to keep all our options open," he said.

So far, the project is too costly to build, he said.

"The preliminary estimates say that neither route is economically viable," he said.

The group has submitted its own legislation to Congress that would ensure permitting for the project take no more than 18 months, Thayer said.

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